

Message Text

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ACTION SS-25

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R 141948Z SEP 76

FM AMEMBASSY NASSAU

TO SECSTATE WASHDC 8628

C O N F I D E N T I A L NASSAU 1453

STADIS//////////

EXDIS

E.O. 11652: GDS

TAGS: EFED EFIN BF

SUBJ: SEC INVESTIGATION OF ICD

1. ICD BOARD OF DIRECTORS MET THURSDAY, SEPT. 9 AND APPROVED IN PRINCIPLE SEC ACCESS TO RELEVANT PRICE WATERHOUSE DOCUMENTS WHICH WERE GIVEN TO CENTRAL BANK GOVERNOR DONALDSON. ACCESS, HOWEVER, WOULD BE CONTINGENT ON REACHING FURTHER AGREEMENT ON CONSENT DECREE. BOARD WOULD NOT REPEAT NOT APPROVE USE OF SPECIAL COUNSEL AND SUBMISSIONS OF REPORT TO SEC WHICH IT SAYS WOULD COST COMPANY BETWEEN \$100,000 AND \$150,000.

2. SEC WAS NOTIFIED BY TELEPHONE OF ABOVE AND IS MAKING COUNTER PROPOSAL ALONG FOLLOWING LINES: IF SEC WERE TO FOREGO USE OF SPECIAL COUNSEL, IT WOULD HAVE TO CONDUCT A BROADER INVESTIGATION ITSELF I.E. (A) ASK ADDITIONAL QUESTIONS OF ICD EMPLOYEES - CURRENT AND PAST, AND RECEIVE A SIGNED AFFIDAVIT FROM ICD THAT NO OTHER ILLEGAL TRANSACTIONS OCCURRED; (B) SEC WOULD REQUIRE COPIES OF PRICE WATERHOUSE DOCUMENTS FOR ITS RECORDS (NOTE PREVIOUSLY SEC REQUIRED ACCESS ONLY AND NO COPIES); (C) SEC WOULD REQUIRE A WRITTEN REPRESENTATION FROM ICD THAT SEC WOULD CONTINUE TO HAVE ACCESS TO COMPANY RECORDS IF IT SHOULD NEED THEM IN CONNECTION WITH OTHER LEGAL ACTIONS BROUGHT BY SEC AGAINST THIRD PARTIES.

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3. SEC IS SENDING ABOVE ALTERNATIVE IN WRITING. IN MEAN-

TIME, EMBASSY CONTACTED ST. GEORGE TO APRISE HIM OF SEC THINKING. EMBASSY SEES LITTLE OR NO CHANCE OF ST. GEORGE ACCEPTING THIS ALTERNATIVE. HE STATED THAT HE HAD NEVER BEEN OPPOSED TO SPECIAL COUNSEL BUT ONLY SUBMISSION OF REPORT TO SEC. HE HAD ALSO SUGGESTED THAT REPORT GO TO GOVERNOR GENERAL OF BAHAMAS BUT THAT GCOB (I.E. PRIME MINISTER) OBJECTED. ST. GEORGE WAS ASKED WHAT ICD WOULD DO IF GCOB WERE TO AGREE TO APPROVE SPECIAL COUNSEL AND REPORT SUBMISSION TO SEC. HE STATED THAT HE WOULD GO ALONG WITH IT -- EXCEPT THAT COMPANY WOULD NOT PAY FOR IT.

4. EMBASSY COMMENT: EXERCISE OF LAST FEW WEEKS HAS CLARIFIED, TO EMBASSY'S WAY OF THINKING, THAT IT IS INDEED ST. GEORGE AND NOT THE GCOB WHO IS CONTINUALLY PUTTING UP ROAD BLOCKS. EMBASSY BELIEVES THAT GCOB COULD BE CONVINCED THAT SPECIAL COUNSEL AND SUBSEQUENT SUBMISSION OF REPORT TO SEC ARE IN BEST INTERESTS OF BOTH GOVERNMENTS BUT IN ALL LIKELIHOOD ST. GEORGE WOULD STILL RESIST. IN EMBASSY'S VIEW THEREFORE IT BECOMES ESSENTIAL TO DISCUSS MATTER PERSONALLY WITH PRIME MINISTER AS HE IS THE ONLY PERSON IN POSITION TO INFLUENCE ST. GEORGE. AT SAME TIME IT IS EQUALLY IMPORTANT TO ENSURE THAT PRIME MINISTER IS FULLY AWARE OF SEC'S INTENDED ACTION IN EVENT THAT CONSENT DECREE NOT ACHIEVED -- I.E. A LAWSUIT -- AND ATTENDANT PUBLICITY THAT WOULD ENTAIL.

TAYLOR

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